

McCormy

STORES CORPORATION

ANNUAL 1957 REPORT



AERIAL VIEW OF COLONIAL PLAZA SHOPPING CENTER — ORLANDO, FLORIDA

Directors

R. F. COPPEDGE (1934), *Chairman*

GUSTAVE G. AMSTERDAM (1958) RANDOLPH CATLIN (1937) A. J. FINK (1936)
ALBERT M. GREENFIELD (1958) N. BAXTER JACKSON (1936) HARRY O. LATHAM (1944)
WILLIAM L. LESS (1948) F. W. PAUL (1945) EUGENE W. STETSON (1941)
LEONARD SPANGENBERG (1946)

Executive Committee

LEONARD SPANGENBERG, *Chairman*

R. F. COPPEDGE A. J. FINK HARRY O. LATHAM
EUGENE W. STETSON F. W. PAUL

Officers

R. F. COPPEDGE, (1931) *Chairman of the Board of Directors*

F. W. PAUL (1925) *President*
R. A. VROOM (1922) *Vice President*
M. O. HILL (1920) *Vice President*
L. C. SHOCKLEY (1928) *Vice President*
T. C. LAWRENCE (1945) *Financial Vice Pres. & Secretary-Treasurer*
C. R. PURDON (1929) *Comptroller*

Dates indicate year of election to Board of Directors and year of employment of Officers.

General Counsel *Sullivan & Cromwell, New York, N. Y.*
Auditors *S. D. Leidesdorf & Co., New York, N. Y.*
Transfer Agent *Guaranty Trust Company of New York*
Registrar
 Common Stock *Bankers Trust Company, New York, N. Y.*
 Preferred Stock *Chemical Corn Exchange Bank, New York, N. Y.*
General Office *1107 Broadway, New York, N. Y.*

February 13, 1958

To The Stockholders:

The 1957 sales of \$111,751,351 did not quite match the record sales of \$113,115,937 achieved in 1956. The decrease in sales, 1.2%, occurred during the latter six months of 1957 and followed payroll curtailment by manufacturers in heavy industry.

Net income after taxes amounted to \$3,304,655. Earnings on Common Stock for 1957 amounted to \$1.36 per share and compared with a \$1.40 earned in 1956. Dividends of \$1.10 per share, consisting of four quarterly payments of 25¢ each and an extra 10¢ in the final quarter, were paid in 1957.

The Company continues to study the communities served by our stores and to expand downtown where adequate parking and easy access is provided. However, a greater emphasis is being placed on planned shopping developments that offer greater convenience to the customer who prefers to shop by car. A careful survey of area sales indicates that the development of downtown locations with adjacent shopping centers develops the greatest volume of business from a particular locality.

During the latter part of the year three new self service stores were opened; two in Texas and one in Pennsylvania. These stores, equipped with the most modern store fixtures, had excellent customer acceptance on opening day and reported maximum sales for the Christmas season.

Seven additional stores were converted to self service during the year, four of which were completely rebuilt as new stores. At the year end the Company had 66 self service stores in operation and the construction department was studying plans for converting additional stores to self service in 1958.

New Stores:

Fort Worth, Texas

Dallas, Texas

Hazleton, Pa.

Enlarged and Converted to Self Service:

Burlington, N. J.

Plant City, Fla.

Greensburg, Pa.

Wichita Falls, Texas

Philipsburg, Pa.

Winter Haven, Fla.

The cost of the construction program, including the locations outlined above, amounted to approximately \$2,250,000. In addition, the Company continued to maintain and redecorate its stores in accordance with its planned program of keeping all stores efficient and inviting to its customers.

One small store was closed at the year end, and on January 8, 1958 our new store at Orlando, Florida, was destroyed by fire. The merchandise and fixture loss is completely covered by insurance, and it is hoped that the store will be rebuilt and opened for business by May 1st, 1958.

Leases for new self service stores in 1958 have been agreed on at five locations and others are under negotiation. The first new store in 1958 is expected to be opened at a shopping center in Tyrone Gardens, St. Petersburg, Florida, during the Easter season. The remaining stores are to be placed in operation at a later date.

Major improvements have been planned in 1958 at ten locations where it is believed that additional volume can be obtained with modern and adequate facilities. This entire program is estimated to cost approximately \$2,500,000.

The Company reduced its outstanding long term debt by \$500,000 on July 29, 1957. Short term bank loans in the amount of \$4,000,000 provided funds for merchandise during the busy Christmas season. These funds were repaid a few days after Christmas. The overall physical inventory at the year end, although reflecting some higher individual prices than in 1956, has been kept to a minimum by a close control of inventory quantities and price reductions of slow moving items.

At December 31, 1957 the Working Capital of the Company amounted to \$14,797,679. The statement below indicates the source and disposition of funds during the year.

WORKING CAPITAL		
CURRENT ASSETS	1957	1956
Cash	\$ 4,855,265	\$ 6,215,315
Merchandise Inventories	18,564,833	17,900,431
Accounts Receivable	213,382	68,781
	<u>\$23,633,480</u>	<u>\$24,184,527</u>
Less Current Liabilities (Net)	8,835,801	8,706,466
WORKING CAPITAL	<u>\$14,797,679</u>	<u>\$15,478,061</u>

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS		
ADDITIONS TO WORKING CAPITAL:	1957	1956
Net income	\$ 3,304,655	\$ 3,411,783
Depreciation and amortization	1,829,873	1,721,249
Long Term Debt	—	500,000
	<u>\$ 5,134,528</u>	<u>\$ 5,633,032</u>
DEDUCTIONS FROM WORKING CAPITAL:		
Cash Dividends on Preferred and Common Stock	\$ 2,719,007	\$ 2,490,643
Capital Assets (expenditures for new and remodeled stores, etc. — Net)	2,243,388	3,354,893
Increase in deferred charges, etc.	102,515	29,160
Long Term Debt (current portion)	750,000	—
	<u>\$ 5,814,910</u>	<u>\$ 5,874,696</u>
NET DECREASE IN WORKING CAPITAL	<u>\$ 680,382</u>	<u>\$ 241,664</u>

We wish to acknowledge and express our appreciation of the interest and the cooperation of our officers and employees and the confidence in our merchandise displayed by our customers during the past year.

—BY ORDER OF THE BOARD OF DIRECTORS

R. F. Coppedge

R. F. COPPEDGE, *Chairman*

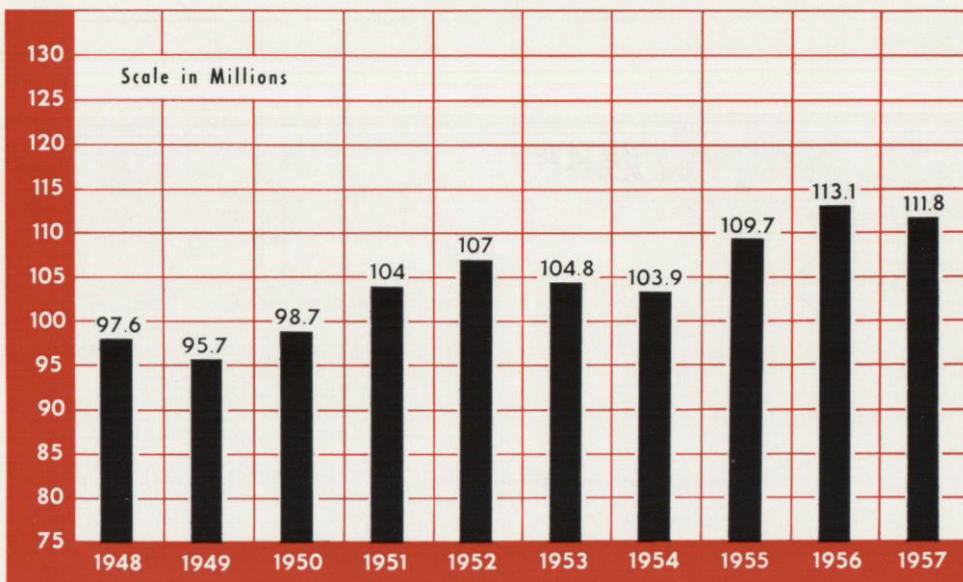
F. W. Paul

F. W. PAUL, *President*

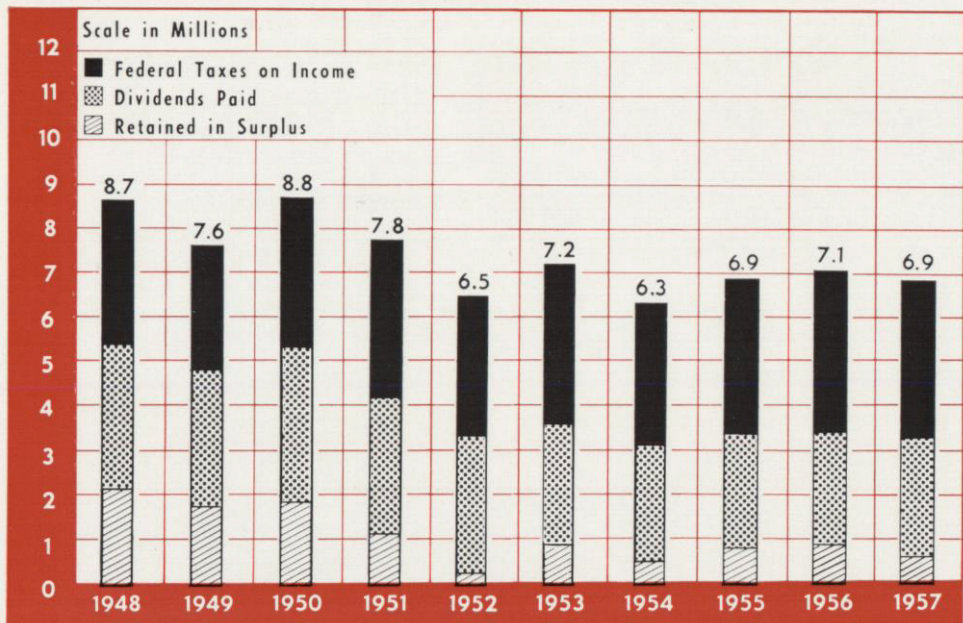
The Story in Brief

	1957	1956
Sales	\$111,751,351	\$113,115,937
Number of Stores	215	213
Average Sales per Store	519,774	531,061
Employees Compensation and Pension Costs (Including Payroll Taxes)	22,356,428	21,454,915
Net Earnings	3,304,655	3,411,783
Earned per Share	1.36	1.40
Dividends per Share	1.10	1.00
Taxes per Share (Federal, State and Local) ..	1.88	1.93
Net Additions to Fixtures and Improvements	2,243,388	3,354,893
Working Capital	14,797,679	15,478,061
Current Ratio	2.67	2.78
Net Worth per Share	15.93	15.67
Number of Stockholders	11,174	10,913

Annual Sales



Disposition of Income



**TO THE BOARD OF DIRECTORS
McCRORY STORES CORPORATION
NEW YORK, N. Y.**

We have examined the balance sheet of McCrory Stores Corporation as at December 31, 1957, and the related statement of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and surplus, together with the notes to financial statements, present fairly the financial position of McCrory Stores Corporation at December 31, 1957, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

Certified Public Accountants

New York, N. Y.
February 13, 1958

McCrory Stores

BALANCE SHEET as at December 31

A S S E T S		
CURRENT ASSETS:	1957	1956
Cash on hand, in banks and in transit	\$ 4,855,265	\$ 6,215,315
Merchandise inventories—Note A	18,564,833	17,900,431
Miscellaneous accounts receivable, less reserve ..	213,382	68,781
Total Current Assets	<u>\$23,633,480</u>	<u>\$24,184,527</u>
FIXED ASSETS:		
Real estate, at adjusted value December 31, 1936, and subsequent additions at cost	\$ 6,565,977	\$ 6,531,481
Furniture, fixtures and equipment, at cost	17,648,504	17,063,683
Improvements to leased property, at adjusted value January 1, 1936, and subsequent additions at cost	19,491,258	18,632,047
	43,705,739	42,227,211
Less: Reserves	15,437,435	14,372,423
Total Fixed Assets	<u>\$28,268,304</u>	<u>\$27,854,788</u>
DEFERRED CHARGES:		
Prepaid rents, insurance, taxes, store supplies, etc.	\$ 1,007,613	\$ 905,098
	<u>\$52,909,397</u>	<u>\$52,944,413</u>

NOTES TO FINANCIAL STATEMENTS

Financial statements as at and for the year ended December 31, 1956, are included for comparative purposes only.

NOTE A—

Merchandise at stores:	1957	1956
Inventories at the lower of cost or market based upon the retail method of inventory valuation	\$14,830,523	\$14,301,499
Inventories at cost—restaurants	90,515	99,677
Merchandise at warehouse—at cost	905,934	961,463
Merchandise in transit—at cost	2,737,861	2,537,792
	<u>\$18,564,833</u>	<u>\$17,900,431</u>

NOTE B—

The restrictive covenants of a Term Loan and Credit Agreement dated July 29, 1955, provide, among other matters, that the Company maintain minimum working capital, exclusive of the notes, equal to three times the unpaid principal amount of the notes outstanding.

COMPARATIVE BALANCE SHEET

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res Corporation

December 31, 1957 and 1956

LIABILITIES

CURRENT LIABILITIES:	1957	1956
Accounts payable—including merchandise in transit	\$ 3,485,614	\$ 3,979,312
Accrued expenses, taxes, rents, salaries, etc.	4,065,447	3,987,569
3½% Term Notes—current installment—Note B	750,000	500,000
Reserve for Federal income taxes	3,534,740	3,239,585
Less: U. S. Treasury notes	(3,000,000)	(3,000,000)
Total Current Liabilities	<u>\$ 8,835,801</u>	<u>\$ 8,706,466</u>
3½% TERM NOTES due in annual installments from 1958 to 1961—less current portion included above—Note B	<u>\$ 1,750,000</u>	<u>\$ 2,500,000</u>
CAPITAL STOCK AND SURPLUS — Note C:		
Preferred Stock—par value \$100.00 per share:		
Authorized	80,000 shares	
Unissued	20,000 shares	
3½% Series—Cumulative Convertible		
Outstanding	59,683 shares - 1957	\$ 5,968,300
	59,893 shares - 1956	\$ 5,989,300
Common Stock—par value \$.50 per share:		
Authorized	2,800,000 shares	
Issued and outstanding	2,282,067 shares - 1957	1,141,034
	2,281,017 shares - 1956	1,140,508
Capital Surplus	7,743,949	7,723,474
Earned Surplus	27,470,313	26,884,665
	<u>\$42,323,596</u>	<u>\$41,737,947</u>
	<u>\$52,909,397</u>	<u>\$52,944,413</u>

FINANCIAL STATEMENTS

NOTE C—

The 3½% Cumulative Convertible Preferred Stock is redeemable at the option of the Company, in whole or in part, at \$104 per share, plus accrued dividends to date of redemption. In the event of voluntary liquidation, the holders are entitled to receive an amount equal to the then redemption price and in the event of involuntary liquidation are entitled to \$100 per share and accrued dividends. There are 298,415 shares of Common Stock reserved for conversion of the Preferred Stock. Pursuant to certain restrictions in connection with the authorization of the Preferred Stock, Capital and Earned Surplus in the approximate amount of \$16,300,000 is not available for dividends on the Common Stock. Reference is made to Note B for minimum working capital requirements.

GENERAL—

At December 31, 1957, the minimum annual rentals upon property leased to the Company under 262 leases expiring after December 31, 1960, amount to approximately \$3,800,000, plus real estate taxes, insurance, etc.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

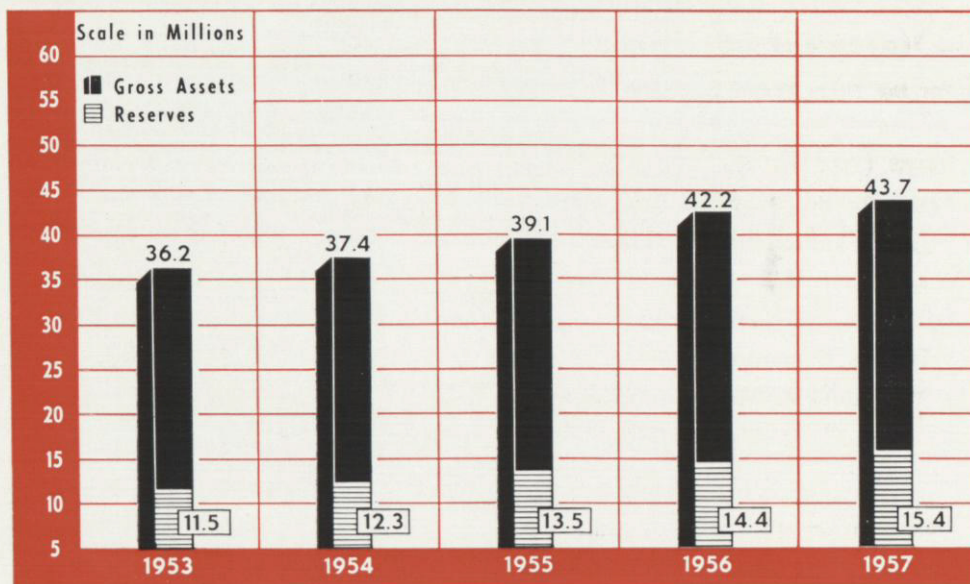
Statement of Income and Surplus

For the Years Ended December 31, 1957 and 1956

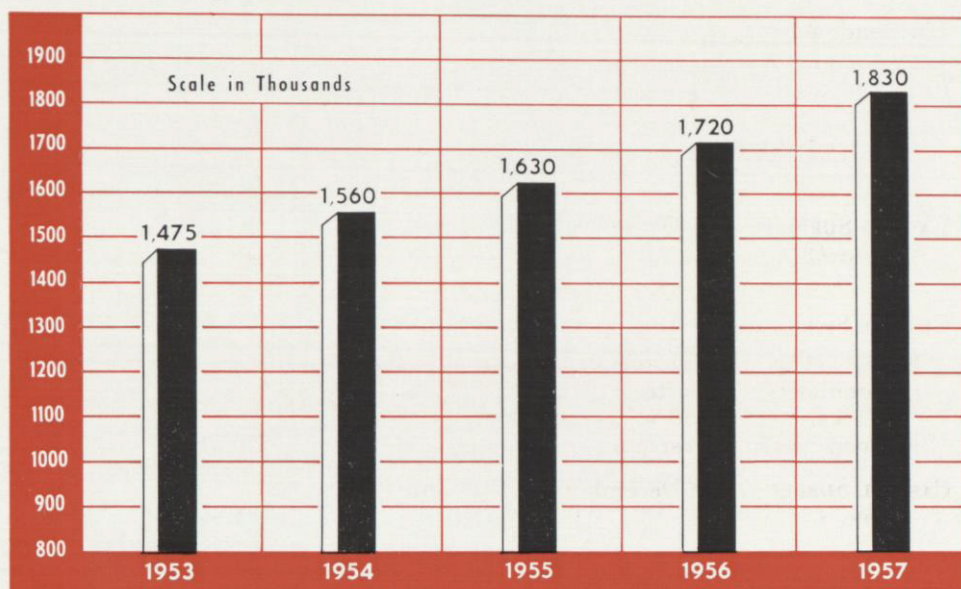
	1957	1956
SALES (merchandise, restaurant and concession)	\$111,751,351	\$113,115,937
COST OF GOODS SOLD AND OPERATING EXPENSES (including occupancy and general and administrative expenses)	102,855,454	104,115,018
	8,895,897	9,000,919
Other deductions:		
Interest expense	156,352	125,635
Miscellaneous deductions, less other income	(19,983)	22,252
	136,369	147,887
	8,759,528	8,853,032
Depreciation and amortization	1,829,873	1,721,249
Net income before Federal income taxes	6,929,655	7,131,783
Provision for Federal income taxes	3,625,000	3,720,000
NET INCOME	3,304,655	3,411,783
EARNED SURPLUS as at December 31, 1956 and 1955	26,884,665	25,342,122
Restatement of net fixed assets to conform to basis used for Federal income tax purposes	—	621,403
	30,189,320	29,375,308
Dividends paid on:		
Common Stock—\$1.10 per share in 1957	2,509,749	
\$1.00 per share in 1956		2,281,017
Preferred Stock	209,258	209,626
	2,719,007	2,490,643
EARNED SURPLUS as at December 31, 1957 and 1956 —Note C	\$ 27,470,313	\$ 26,884,665
CAPITAL SURPLUS as at December 31, 1956 and 1955 \$	7,723,474	\$ 7,723,474
Excess of par value of 210 shares of 3½% Cumulative Convertible Preferred Stock over par value of 1,050 shares of Common Stock issued upon conversion	20,475	—
CAPITAL SURPLUS as at December 31, 1957 and 1956 —Note C	\$ 7,743,949	\$ 7,723,474

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Fixed Assets



Depreciation and Amortization



Ten Year Summary

(In thousands of dollars)

	1957	1956	1955
SALES	\$111,751	\$113,116	\$109,705
Cost of Sales, including occupancy expenses ..	73,716	76,004	73,916
Selling, general and administrative expenses ..	29,139	28,111	27,004
Depreciation and amortization	1,830	1,721	1,628
Other Deductions, less other income	136	148	282
NET INCOME Before Federal Taxes	6,930	7,132	6,875
Federal Taxes on Income	3,625	3,720	3,575
NET INCOME	\$ 3,305	\$ 3,412	\$ 3,300
Cash Dividends on Preferred Stock	209	210	210
Cash Dividends on Common Stock	2,510	2,281	2,281
*Net Income per share of Common Stock	1.36	1.40	1.35
*Cash Dividends per share of Common Stock ..	1.10	1.00	1.00
Number of Stores	215	213	214

Financial Position —

	1957	1956	1955
WORKING CAPITAL			
Current Assets			
Cash and U.S. Government Securities	\$ 4,855	\$ 6,215	\$ 5,369
Merchandise Inventories	18,565	17,900	18,176
Miscellaneous Accounts Receivable	213	69	38
Total Current Assets	23,633	24,184	23,583
Current Liabilities	8,835	8,706	7,863
WORKING CAPITAL	14,798	15,478	15,720
OTHER ASSETS			
Account Receivable — Noncurrent	—	—	—
Deferred Charges, etc.	1,008	905	876
Fixed Assets, Less Reserves for Depreciation and Amortization	28,268	27,855	25,600
	44,074	44,238	42,196
OTHER LIABILITIES			
Long Term Debt	1,750	2,500	2,000
NET ASSETS	\$ 42,324	\$ 41,738	\$ 40,196
Represented by			
Preferred Stock	\$ 5,968	\$ 5,990	\$ 5,990
Common Stock and Surplus ..	36,356	35,748	34,206
	\$ 42,324	\$ 41,738	\$ 40,196
*NET WORTH PER SHARE OF COMMON STOCK ...	\$ 15.93	\$ 15.67	\$ 15.00

*Number of shares of Common Stock has been adjusted to reflect 2 for 1 split during April 1951.

TEN YEAR SUMMARY

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Statement of Income

1954	1953	1952	1951	1950	1949	1948
\$103,856	\$104,787	\$106,987	\$104,222	\$98,665	\$95,767	\$97,588
70,580	71,192	73,286	71,011	66,140	65,137	66,088
25,475	24,987	25,771	24,378	22,930	22,249	22,139
1,560	1,477	1,405	1,252	1,130	951	746
35	(71)	22	(248)	(340)	(156)	(74)
6,206	7,202	6,503	7,829	8,805	7,586	8,689
3,140	3,575	3,175	3,740	3,540	2,755	3,200
\$ 3,066	\$ 3,627	\$ 3,328	\$ 4,089	\$ 5,265	\$ 4,831	\$ 5,489
210	210	210	210	210	210	210
2,395	2,509	2,851	2,851	3,135	2,850	3,193
1.25	1.50	1.37	1.70	2.21½	2.02½	2.31½
1.05	1.10	1.25	1.25	1.37½	1.25	1.40
210	211	211	206	205	201	202

December 31, 1948—1957

1954	1953	1952	1951	1950	1949	1948
\$ 5,396	\$ 6,114	\$ 7,501	\$ 8,778	\$ 8,642	\$10,876	\$12,195
15,233	15,266	13,805	13,372	15,678	11,407	11,379
156	100	36	744	96	48	114
20,785	21,480	21,342	22,894	24,416	22,331	23,688
7,342	8,545	7,517	8,628	8,464	6,754	6,782
13,443	12,935	13,825	14,266	15,952	15,577	16,906
—	300	—	—	—	—	—
870	923	924	1,097	968	909	1,142
25,073	24,767	23,267	22,387	19,800	18,316	14,983
39,386	38,925	38,016	37,750	36,720	34,802	33,031
—	—	—	—	—	—	—
\$ 39,386	\$ 38,925	\$ 38,016	\$ 37,750	\$36,720	\$34,802	\$33,031
\$ 5,990	\$ 5,990	\$ 5,990	\$ 5,990	\$ 6,000	\$ 6,000	\$ 6,000
33,396	32,935	32,026	31,760	30,720	28,802	27,031
\$ 39,386	\$ 38,925	\$ 38,016	\$ 37,750	\$36,720	\$34,802	\$33,031
\$ 14.64	\$ 14.44	\$ 14.04	\$ 13.92	\$ 13.47	\$ 12.63	\$ 11.85½

215 McCrory Stores...

Arkansas (3)

Eldorado
Fort Smith
Jonesboro

Connecticut (1)

Danbury

Delaware (1)

Dover

Dist. of Col. (1)

Washington

Florida (41)

Arcadia
Bartow
Bradenton
Clearwater
Daytona Beach
128 S. Beach St.
814 Main St.
Deland
Fort Lauderdale
Fort Myers
Fort Pierce
Gainesville
Hialeah
Homestead
Jacksonville
Key West
Kissimmee
Lake City
Lakeland

Fla. (cont.)

Leesburg
Live Oak
Melbourne
Miami
Miami Beach
New Smyrna
Ocala
Orlando
S. Orange Ave.
E. Colonial Drive
Palatka
Panama City
Plant City
Punta Gorda
Quincy
Sanford
Sarasota
St. Augustine
St. Petersburg
425 Central Ave.
3270 Central Ave.
Tallahassee
Wauchula
West Palm Beach
Winter Haven

Georgia (8)

Atlanta
Bainbridge
Columbus
Cordele
Savannah
Tifton
Valdosta
Waycross

Indiana (2)

Anderson
Indianapolis

Kentucky (2)

Louisville
Lexington

Louisiana (4)

Baton Rouge
Lafayette
New Orleans
1626 Dryades St.
1005 Canal St.

Maryland (9)

Baltimore
227 W. Lexington St.
6311 York Rd.
Cambridge
Crisfield
Cumberland
Easton
Frederick
Hagerstown
Salisbury

Massachusetts (2)

New Bedford
1115 Acushnet Ave.
1009 S. Water St.

Mississippi (4)

Gulfport
Jackson
McComb
Natchez

Missouri (1)

St. Louis

New Jersey (11)

Atlantic City
Burlington
Camden
Clifton
Jersey City
Newark
Orange
Passaic
Perth Amboy
Rahway
Union

New York (8)

Bay Shore, L. I.
Brooklyn
Flushing, L. I.
Johnson City
Long Island City
New York City
Rego Park
Syracuse

North Carolina (5)

Dunn
Fayetteville
Fort Bragg
Roanoke Rapids
Tarboro

... in *Twenty-two States****Ohio (8)**

Canton
Dayton
East Liverpool
Hamilton
Kent
Springfield
Steubenville
Youngstown

Pa. (cont.)

Franklin
Greensburg
Hanover
Hazleton
Homestead
Huntingdon
Indiana
Johnstown
Kane
Lancaster
Lebanon
Lewistown
Monongahela
Mt. Pleasant
Patton
Philadelphia
1205 Market St.
919 Market St.
Philipsburg
Pittsburgh
105 E. Ohio Ave.
314 Fifth Ave.
Portage
Pottstown
Punxsutawney
Reading
Reynoldsville
Ridgway
Scottdale
Somerset
Tyrone
Vandergrift
Waynesboro
Waynesburg
Windber
York
10 W. Market St.
2449 E. Market St.

Pennsylvania (56)

Allentown
Altoona
Barnesboro
Bethlehem
Bradford
Bristol
Brookville
Canonsburg
Carlisle
Carnegie
Chambersburg
Charleroi
Chester
Clearfield
Connellsville
Cresson
Donora
DuBois
Edwardsville
Ebensburg
Emporium

South Carolina (8)

Aiken
Chester
Columbia
Gaffney
Georgetown
Greenwood
Newberry
Rock Hill

Tennessee (6)

Bristol
Kingsport
Morristown
Oak Ridge
Memphis
Whitehaven

Texas (15)

Big Spring
Dallas
Denton
Fort Worth
6305 Camp Bowie Blvd.
901-3-5 Houston St.
Galveston
Hillsboro
McAllen
Nacogdoches
Palestine
San Antonio

Texas (cont.)

Taylor
Terrell
Waco
Wichita Falls

Virginia (8)

Arlington
Cape Charles
Charlottesville
Front Royal
Harrisonburg
Pulaski
Staunton
Winchester

West Virginia (11)

Charleston
Clarksburg
Fairmont
Grafton
Huntington
Mannington
Martinsburg
Morgantown
New Martinsville
Parkersburg
Wheeling

*And the District of Columbia.
Stockroom at Huntingdon, Pa.

